

## OVERVIEW OF PERFORMANCE MEASUREMENT

*When people in government hear the word "accountability," what registers in the brain is usually "punishment." ...public employees hear accountability and think audits, inspections, and the boss coming down on them. But citizens aren't interested in punishment— they want results. To us, people are accountable when they get direct, immediate, personal feedback on their performance...*<sup>1</sup>

### Summary

*Performance measures* are indicators of the degree to which an agency is meeting its stated desired outcomes. Measurement is a quantitative assessment of performance, quality or cost used to guide policy and the decision-making process. Measurements help guide staff and define objectives.

The four types of measures are:

- Input measures – measure the organizational resources used
- Output measures – measure the amount of work produced
- Process measures - measure the activities which produce results & services
- Outcome measures – measure the extent to which organizational goals are met

*Performance-based budgeting* is the use of performance management to tie program funding to demonstrated outcomes. This approach focuses on outcomes rather than inputs or processes when allocating resources.

*Performance management* is the unified use of strategic planning, performance measurement, budgeting for results, and performance review. A performance management system deploys the strategic plan and both focuses and aligns agency efforts with customer expectations. The goal of comprehensive performance management is to:

- Identify the needs and demands of their customer/clients and the programs that meet those needs;
- Establish clear, measurable outcomes for those programs; and
- Produce and maintain a formal system of accountability and use information in budget development.<sup>2</sup>

This hearing is intended to focus on the performance measurement or management aspect of these state-level programs, as opposed to performance-based budgeting.

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<sup>1</sup> Osborne & Hutchinson, The Price of Government: Getting the Results we need in an Age of Fiscal Crisis (2004)

<sup>2</sup> Department of Toxic Substances Control, *Strategic Planning & Performance Measurement Staff Training Handbook* (2007)

## Performance Measurement

Performance measures stem from the strategic planning process, during which an organization determines its core mission, goals, strategies, and objectives. Performance measures address resources consumed by the system (inputs), the efficient delivery of program activities (processes), the direct services delivered by a program (outputs), and the results of those services (outcomes). This allows an agency to determine if the actions it is implementing are moving the organization closer to achieving its goals and objectives.

In *The Price of Government*, Osborne & Hutchinson share the following lessons learned from performance measurement programs across the country:

1. Use the performance data – Collecting data takes a great deal of time and effort. If you're not going to use it to manage, don't bother.
2. Magnify the power of incentives by applying them to groups as well as individuals – most results are produced by teams, not by individuals.
3. Be careful what you target, you might get it—ensure that measures balance short and long-term priorities, as well as effectiveness and productivity.
4. Avoid arbitrary targets—if targets are too high, workers feel unfairly blamed; workers may be praised and rewarded for exceeding targets that may have been too low.
5. Tie rewards to objective measures of performances, not subjective appraisals—when rewards are based on subjective ratings, employees distrust and resent the process.
6. Make performance bonuses big enough to get people's attention—managers are most likely to feel it is worth the time and effort to improve performance if bonuses are at least double the size of their regular pay increase.
7. Involve employees, owners, and customers in negotiating performance goals—the group should also include a neutral organization committed to performance measurement.
8. Don't make reward formulas too complex—what people can't understand, they fear.
9. Create a culture of learning, not fear—build learning into the process; ask not only what happened, but why and what is being done about it.
10. Verify the accuracy of measurement—decision-makers are more likely to trust data that is periodically audited for accuracy.

<p style="text-align: center;"><b>PERFORMANCE MEASUREMENT IN CALIFORNIA STATE AGENCIES: TIMELINE OF ACTIVITIES</b></p>
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Performance measurement and management are topics of recurring interest to lawmakers in the State of California. Over the past two decades, the Legislature and some Governors have initiated projects meant to integrate performance measurement practices into the management of state programs.

Most of these efforts were either never fully implemented or were phased out with changes between administrations. The following list summarizes major, statewide efforts related to performance measurement in California.

- **1993:** The federal Government Performance & Results Act (GPRA) became law. State agencies that receive federal funds must report annually on their performance.
- **1993:** Governor Wilson established 27 “pioneer projects” using Total Quality Management techniques.
- **1993:** SB1082 required CalEPA to develop a model quality program, and in 1998 to begin submitting a yearly progress report as part of the budget process on the achievement of performance objectives. CalEPA ceased reporting in 2004.
- **1993:** Governor Wilson initiated a series of reforms including performance-based budgeting (PBB) pilots and department strategic planning. The Governor required departments to link their budget requests to their strategic plans.
- **1994:** The State Government Strategic Planning and Performance Review Act (AB 2711 established Government Code Section 11816) stated that “strategic planning is a prerequisite for effective performance reviews and effective performance budgeting.”
- **1996:** Governor Wilson launched a complete review of state government entitled, “California Competes,” which focused on performance-based budgeting, strategic planning, process improvement, and Total Quality Management.
  - 1996: “California Competes Institute,” provided over 500 state employees with workshops on strategic plan preparation, performance measurement, and budgeting for results.
- **2001:** Governor Davis established a Governor’s Office of Innovation to investigate and establish a statewide series of web-based goals and performance measures for departments and agencies in the Executive Branch.
  - 2003: With the recall of Governor Davis, the Governor’s Office of Innovation was moved into the Office of Planning and Research and was subsequently eliminated.

- **2004:** Governor Schwarzenegger established the California Performance Review (CPR). The CPR was accomplished by 275 selected state employees that were divided into teams chartered to investigate various aspects of state government.
  - July, 2005: The CPR Implementation Team concluded its work. The CPR performance management training program continued through the sponsorship of the State Personnel Board. Results were sporadic with no mandates from the Administration or Legislature for departments to develop performance measures.
- **2007:** Several “good government” initiatives motivated a renewed interest in accountability and transparency in state government. Several agencies moved forward with their own internal initiatives.
- **2008:** In preparation for a forthcoming report, the Little Hoover Commission convened an advisory group consisting of individuals from state agencies interested in implementing performance measurement programs.
  - November, 2008: The Little Hoover Commission issued, “A New Legacy System: Using Technology to Drive Performance,” which argued that all departments “should have a performance measurement and quality improvement function incorporated into its basic management structure.”
  - December, 2008: The Little Hoover Commission's advisory group convened as the Performance Measurement Roundtable, which later became the existing Performance Management Council.

<b>PRESENTER BIOGRAPHIES</b>
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Department of Toxic Substances Control

Denzil Verardo is currently the Special Assistant to the Director of the Department of Toxic Substances Control implementing performance measures throughout the organization. He is also a Commissioner on the Senate Advisory Commission on Cost Control in State Government.

Verardo was the Chief Deputy Director for Administration for the California Department of Parks and Recreation. He began his 32 year parks career as a Park Ranger in 1971 and retired from State Parks in 2003. Verardo directed the State Parks' team piloting performance-based budgeting during the 1990's. Through his leadership, California State Parks was named "Best in Class in the Government Category" in the California Awards for Performance Excellence, administered by the non-profit California Council for Excellence. From February, 2004 until project completion in June, 2005, he served on Governor Arnold Schwarzenegger's California Performance Review as the team leader for performance management implementation. Verardo also served as the Chief Deputy Director for the Department of Alcohol and Drug Programs (ADP) from March, 2006 until March, 2007.

In addition to his career in state government, Verardo was Vice President of Academic Affairs and a professor with the National Graduate School. Verardo has written 9 books and more than 200 articles on a variety of subjects. His "Managing the Strategic Planning Process" is the first work to describe Performance Measured Strategic Planning. He has been an Examiner, Judge and member of the Board of Directors of the California Council for Excellence which administers the Baldrige-based California Awards for Performance Excellence.

Verardo has been the recipient of numerous awards and commendations for his work including the Association of Government Accountants' "Financial Manager of the Year Award" for the Sacramento area; the "National Excellence in Government Leadership Award;" and the international George Wright Society "Cultural Resource Manager of the Year Award."

Verardo holds a B.A. and M.A. in history, a Ph.D. in Management and a post-doctoral Certificate in Quality Management Implementation from the University of California, Santa Cruz.

Department of Transportation

Deborah A. Mah has been employed with the Department of Transportation (Caltrans) for more than 29 years. She is currently is Chief of the Office of Strategic Planning and Performance Measurement in the Director's Office. Mah was appointed to this position in July 2005. She is responsible for implementing performance-based management

within the Department, which includes developing strategic plans and annual operational plans, developing and reporting on organizational performance measures, and conducting employee and external customer surveys.

Prior to this appointment, Mah was Chief of the Division of Mass Transportation. She also served as the Program Manager for the then-newly enacted Traffic Congestion Relief Program. Mah worked with numerous local and regional partners to deliver the multi-modal projects contained in the \$5 billion Traffic Congestion Relief Program. Prior to coming to the Headquarters office of Caltrans, Mah worked in the Department's District 7 office in Los Angeles for over 18 years.

Mah holds a B.S. in Civil Engineering from UCLA and she is a Licensed Civil Engineer.

#### Department of Corrections and Rehabilitation

Lee Seale is the Deputy Chief of Staff for the Department of Corrections and Rehabilitation. He is responsible for the following departmental offices: internal affairs, civil rights, research, ombudsman, and audits and compliance. Prior to coming to the department in 2008, he served as Special Assistant Inspector General of the Bureau of Independent Review in the Office of the Inspector General. From 2001 to 2006, he served as a Deputy Attorney General in the criminal division for the California Attorney General's Office.

Richard Krupp is the Assistant Secretary for the Office of Audits and Compliance for the Department of Corrections and Rehabilitation. He is responsible for internal audits, peer reviews, and COMPSTAT. He started his career in 1972 as a correctional officer at the California Institution for Men. Recently, he has been participating in the Little Hoover Commission Performance Management Council and the Government Transparency workgroup. He has a Ph.D. in Criminal Justice from the Claremont Graduate University.

Carol Avansino is the Chief of COMPSTAT. She has an extensive background in information technology systems and has managed many projects, including the Active Directory Migration Project, the Microsoft Exchange upgrade, and the CDCR Network Server Consolidation. Prior to that, she worked as a manager in the departmental transportation unit, a master trainer at the correctional academy, an employee relations officer, and a correctional officer.

## **Department of Toxic Substances Control (DTSC) Performance Management System Overview**

DTSC's performance management system was adapted from the performance measurement and management handbook and training developed by the California Performance Review. It relies on an integrated approach through the use of both strategic planning and performance measurement (see attached graphic).

For the measurement of organizational performance, data was selected for tracking and analysis through a process that began with the identification of the desired outcomes of DTSC's major programs, and then identifying the measures that can be used to determine performance toward achieving those outcomes. The complete process was as follows:

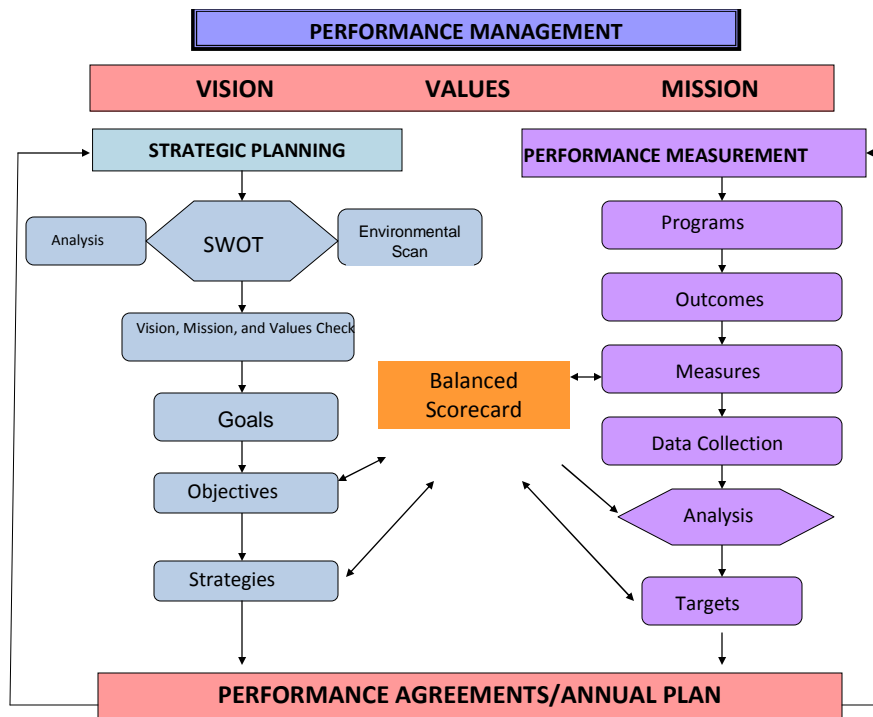
1. Check the Mission
2. Identify Core and Shared Services Programs
3. Identify Activities of the Programs
4. Identify Outcomes expected from the Activities
5. Develop Measures
6. Select the "Vital Few" Measures
7. Identify Sources of Data

Field and headquarters staff was trained in the basics of performance measurement – measure identification and data collection – in the fall of 2007. By January 2008, the Executive Team had a set of outcomes and measures for each of the Core and Shared Services programs they had identified in 2007. An Executive Dashboard of the critical few outcomes (see attached graphic) was identified to facilitate regular discussions at Executive Staff meetings, where outcomes and measures are reviewed on a regular basis. In addition, Performance Agreements are in place between Performance Managers and Deputy Directors with expectations for data collection and utilization. In the near future, once there is sufficient data over time, performance targets will be set for each of the measures. In 2009 an external public performance display, "EcoTracker," went on line. By July, 2011 a management framework centered on real-time performance accountability, including the delivery of training and support to the field staff in using performance data to manage most effectively, will be completed.

The full implementation process to date is described in the attached chronology.

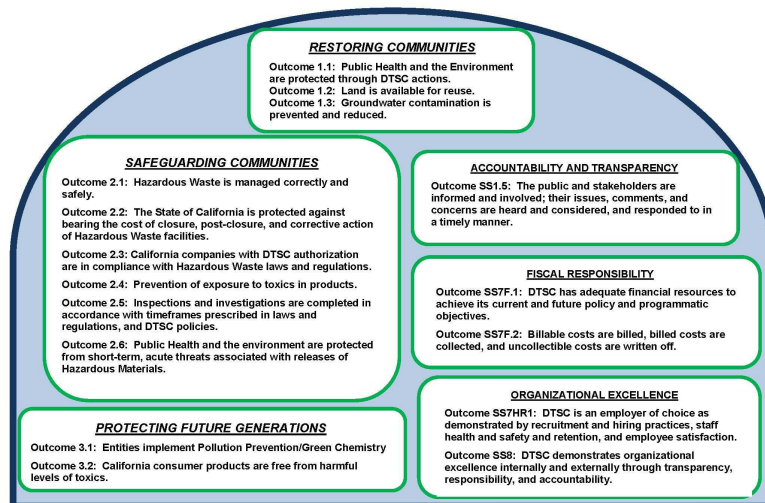
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Special Assistant to the Director  
Department of Toxic Substances Control

February, 2010



#### DEPARTMENT OF TOXIC SUBSTANCES CONTROL PERFORMANCE MEASUREMENT EXECUTIVE DASHBOARD 2009

*The mission of DTSC is to provide the highest level of safety and to protect public health and the environment from toxic harm.*





## **Summary of the California Department of Transportation (Caltrans) Experience with Performance Management**

The California Department of Transportation (Caltrans) is implementing a performance management program that includes these three components:

- o Strategic Plan
- o Annual Operational Plan
- o Performance Measures

### **Strategic Plan**

Caltrans recently updated its five-year strategic plan (2007 through 2012). This plan includes the mission/vision, values, goals, objectives, and the strategies to achieve each objective. Caltrans took an unprecedented step of providing every employee the opportunity to participate in developing the strategic plan to ensure buy-in, commitment and ownership of the plan at all staff levels. Meetings were conducted throughout the state to allow staff participation. Over 3,600 employees participated in developing the goals, over 2200 employees participated in the objectives/strategies development, and over 2,600 participated in the values review. There are five goals (safety, mobility, delivery, stewardship and service) and 26 objectives in the strategic plan. Each objective has a specific target to be completed by 2012. To ensure that the ultimate target for each objective is reached, annual targets have been established for each of the five fiscal years covered in the strategic plan.

### **Operational Plan**

The operational plan is not strategic in nature but is tactical. It includes all Caltrans' activities that repeat from year to year. It is a fully resourced plan and reflects each fiscal year's planned use of budgeted resources. All activities line up to the key objectives and goals for the department. Each year, the operational plan reflects the annual targets from the strategic plan.

### **Performance Measures**

On a quarterly basis, Caltrans monitors progress towards achieving each of the objectives. An assessment is made to determine if the department is on track to meet the annual target. This will enable adjustments to be made – whether the appropriate resources were allocated towards meeting an objective (too much or too little), annual targets need to be adjusted to meet ultimate goal, etc. It can help identify where resources can be used to address higher priority needs – within programs and across programs.

Together these will serve as the tool to inform management, drive budget decisions, and achieve organizational results. Caltrans is in the early stages of this process implementation. However, Caltrans has extensively used performance measures to drive individual program performance in areas such as project delivery, maintenance and operations, and programming/budgeting.